MINUTES OF THE
SPECIAL BOARD MEETING
OF THE
STATE TRANSPORTATION BOARD
1:00 p.m., Tuesday, June 6, 2006
Arizona Department of Transportation (ADOT)
State Transportation Board room, Room 147
206 South 17th Avenue
Phoenix, Arizona 85007

The State Transportation Board met in official session for a Special Board meeting at 1:00 p.m., Tuesday, June 6, 2006, with Chairman Jim Martin presiding. Other Board members present included: Vice Chairman Joe Lane, Bill Feldmeier, Rusty Gant, Dick Hileman, Delbert Householder, Bob Montoya, Si Schorr and Felipe Zubia. Also present were Director Victor Mendez; David Jankofsky, Deputy Director; Sam Elters, State Engineer; Barclay Dick, Division Director, Aeronautics Division; John McGee, Chief Financial Officer, Administrative Services Division and Dale Buskirk, Director, Planning Division. There were approximately 45 people in the audience.

OPENING REMARKS AND PLEDGE
Chairman Martin welcomed those present and Mr. Lane led the audience in the Pledge of Allegiance.

Tentative 2007-2011 Transportation Facilities Construction Program Financial Plan
Mr. McGee presented a preliminary financial plan as the Legislature has not yet passed a budget for the state, there is significant difference between the Legislative and Governor's proposals and changes in the program could necessitate some changes in the financial plan. This financial plan is dependent on the passage of House Bill 2206, the bill that removes the HURF bonding cap. The program presented totals approximately $5.7 billion, $3.1 billion represents projects in the Maricopa County region and $2.6 billion represents subprograms in the remainder of the state. Approximately $2.1 billion of the funding for the program come from federal funds, half a billion from RARF, $700,000 million or 12 percent from state and other and 42 percent or $2.4 billion will be funded through bonding. Regarding the statewide program, an annual financial plan is on a cash flow basis as opposed to an obligation basis. A macro model is used to estimate the cash needs opposed to each individual project. The major funding sources for the statewide program are state highway funds, federal funds and HURF bonds. From 2007-2011, current revenue projections indicate that we should collect around $7.58 billion of total highway user revenue. The cities and towns would receive around $2.27 billion, the counties $1.42 billion, ADOT $570 million, and $3.1 billion over the next five years would be discretionary funding for the Department. Another $150 million is estimated return of the vehicle license tax, a one time return of DPS funding of $40 million and off set by inflation and other factors provides an additional $3.25 billion ADOT discretionary funding. Over the five year period, the money would be spent as follows: operating program at $1.81 billion, 56 percent; $540 million on debt service, 17 percent; LBNI (?) 2 percent; DPS funding $210 million; leaving about $610 million of state funds for the capital highway program. On the federal side, approximately $3.18 billion is expected to be received in total federal funds within the state. Of that, about $170 million would go to local, $100 million to PAG, $490 million to MAG and $90 million of debt service, leaving approximately $2.33 billion or 74 percent of the total for ADOT for the capital program. Taking the $610 million of ADOT discretionary funds, $2.33 billion of federal funds and adding $740 million of bonds funds gives a total

of $3.68 billion. Of this statewide program, approximately $1 billion represents MAGS share or 37 percent leaving $2.63 for the statewide program. Given those projections, estimations of ending cash balances, recommended guidelines and worse case scenarios were made each year. It was recommended substituting additional HURF bonding, thus saving GAN capacity for other opportunities. Regarding the MAG program, a semi-annual certification and micro model was described. The major funding sources for the five year program will be state highway funds, federal funds, RARF funds, RARF bonds, HURF bonds and GANS. Total sources and uses of funds on a cash flow basis were shared. Over five years, it is anticipated there will be $4.21 billion worth of funding coming in and going out. RARF will bring in about $1.16 billion, HURF $450, federal funds $170 million, $780 million of other and another $1.65 billion. On the uses side, the program will contemplate about $2.43 billion of construction on a cash flow basis, $250 million on right-of-way, $420 million on design, $100 on maintenance and communication and $1 billion on debt service. A cash flow model with guidelines is used. In terms of total issuances for the RARF program, it is estimated an issuance of $1.47 billion worth of RARF bonds, $50 million of HURF, primarily to support the last remaining portion of the life cycle program and $122 million of GAN issuance, an estimate needed for the I-10 acceleration, for a total of $1.642 billion of debt. Charts summarizing this information were shared and discussed in relation to the Legislative plan not yet passed. Assumptions, issues and conclusions are that the plan is based on the Governor's budget proposal, it assumes a repayment of $118 million of VLT funds, $40 million to DPS and assumes that HURF and state highway funding for DPS for the years '08 through '11 remain at the same level that the Governor has proposed for '07. In terms of growth rates, an average annual growth rate of 4.9 percent for HURF, 3.7 percent for federal funds, 5.2 percent for the operating budget. The Legislative proposal was shared and discussed. The upside potential to the financial plan includes relatively strong HURF revenues, strong RARF revenues, the passage of HB2206 and perhaps less general fund pressure on highway revenues than in the past few years. Downsides include political uncertainties, high fuel prices, pressure to cut and redirect the VLT and the financial condition of the federal highway trust fund. Estimated cash balances are at or above guidelines.

FY 2007-2011 Program Issues, Concerns and Recommendations

Mr. Buskirk said that based on the above financial plan, ADOT is able to fund the tentative five year construction program as presented during the public hearings as well as accommodate changes as may be recommended by staff. An FY 2007-2011 Highway Construction Program Issues, Concerns and Recommendations document was distributed. The paper summarizes the comments presented at the formal public hearings. Major comments on the Program include US 60 Florence Junction Queen Creek Section, know as Gonzales Pass. The project was originally programmed for FY 2006. There were associated cost increases; therefore the program was deferred to FY 2008. Concerns including the number of fatalities were raised at the public hearings. Resolutions were obtained and recommendations include: defer a roadway widening project from SR 77 from FY 2007 to FY 2008 and defer a passing lane. It is recommended to advance the project from FY 2008 to FY 2007. Another item heard at public hearings was Rattle Snake Wash Traffic Interchange on I-40 in Kingman. A letter of intent from the City of Kingman committed to funding 30 percent of the project cost. The Rattle Snake Wash TI is under scoping and it is recommended that the project design be programmed for FY 2008 to be in keeping with the letter of intent. SR 179 was an item of concern. The majority of people who spoke, spoke in support of the process, therefore; staff recommends that this project proceed as programmed. There was a request from Prescott, Yavapai County and others to advance the SR 89, SR 69 Traffic Interchange project from its recommended FY 2009 to FY 2007. This project is currently in final design and could be ready to advertise in FY 2007. Staff however is recommending proceeding with this project as planned that it remain in FY 2009. However, consideration should be given to advancing this project if other projects that are programmed for FY 2007 are not able to advertise in 2007. An issue that the Board heard at several of the public hearings related to the Jerome Rest Area/Visitor Center on SR 89A. The history of this project was reported. The staff recommends the project be put into the FY 2005 highway construction program and that additional funds be added to accommodate the increased material costs. With regard to the SR in Quartzsite, it will be programmed in FY 2007 and will be brought to the Board in the June meeting. Comments at the public hearings included pleas for new projects in FY 2011. Due to project cost increases, no new projects are able to be brought into the program. Recommendation is that no new projects be added to FY 2011 with the exception of the 15 mile project on US 93 which is upgrading to accommodate the opening of the new bridge across the Colorado River. At a number of the public hearings, representatives from the Regional Planning Organization requested an increase in the STP allocations. Contributions are handled at a contracting process not a programming process; therefore, staff recommends that this issue be handled at a management level. Subprograms are a major component of the Five Year Program. It is recommended that subprograms be recalculated. Details were shared in a handout. There are a number of studies. An overview was provided.

Discussion of Potential Changes to Tentative Program FY 2007-2011
A question was asked about the two phase project on US 93 and the funding associated. The project was included because of the need to reroute traffic around Hoover Dam. The new bridge over the Colorado River is in the finishing stages. Funding sources for individual projects are continually balanced. When the draft tentative program was being put together, cash flow was a major issue. With the passage of HB 2206, the additional bonding flexibility makes the cash flow on an annual basis less restrictive. Now through 2009, $618 million is programmed. This does not correlate to capacity.

ADJOURN

Board Action: A motion to adjourn was made, seconded and passed unanimously.

The meeting adjourned at 4:00 p.m.

James W. Martin, Chairman
State Transportation Board

Victor Mendez, Director
Arizona Department of Transportation